

IRS



News Release

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IRS CREATES VOLUNTARY CLOSING AGREEMENT PROGRAM FOR TAX EXEMPT BONDS, SEEKS COMMENTS

WASHINGTON – The Internal Revenue Service today announced a new voluntary closing agreement program for tax-exempt bonds. The Tax Exempt Bonds Voluntary Closing Agreement Program – or “TEB VCAP” -- will allow bond issuers and conduit borrowers to correct violations of the tax law and regulations on tax-exempt bonds when the current regulations and existing tax-exempt bond closing agreement programs do not provide a remedy.

The new program is part of the educational and outreach program developed by the Tax Exempt Bonds office of the IRS’s Tax Exempt and Government Entities (TE/GE) division. The TEB VCAP program reflects the continuing policy of the IRS to try to resolve violations of the tax law without taxing bondholders.

TEB VCAP was developed by TE/GE with substantial input from members of the bond community, the Office of Division Counsel/Associate Chief Counsel (TE/GE), and the Department of the Treasury. The new formal closing agreement program is described in Notice 2001-60, which will appear in Internal Revenue Bulletin 2001-40, dated Oct. 1, 2001. The notice also asks for comments from the public on this program and existing closing agreement programs and procedures.

“This new voluntary closing agreement program is a major step in our efforts to work with the bond community to provide parties to bond transactions with the programs and information they need to fulfill their obligations under the tax law,” said Mark Scott, Director of the IRS’s Tax Exempt Bonds program. “It’s another example of how the we are trying to respond to the needs of our customers and improve upfront compliance as part of the IRS modernization.”

Requests for TEB VCAP closing agreements will be administered by the IRS’s Tax Exempt Bonds office. To encourage issuers and other parties to bond transactions to voluntarily come to the IRS to resolve problems, the IRS said it will permit an issuer or issuer’s representative to initiate preliminary discussions of a closing agreement anonymously.

Specific closing agreement terms under TEB VCAP will depend on the facts and circumstances of each case, including the degree of diligence exercised by the issuer and conduit borrowers.

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The IRS anticipates that TEB VCAP will be refined and that more detailed procedures will be developed in the future. To that end, the IRS is asking for public comment on the format and operation of TEB VCAP. The IRS is also seeking comments on the effectiveness of existing remedial action provisions and existing closing agreement programs and procedures.

Comments may be submitted directly to the IRS at www.irs.gov/prod/tax_regs/comments.html, or by e-mail to notice.comments@m1.irs.counsel.gov. For further information about the TEB VCAP program or Notice 2001-40, please contact Clifford J. Gannett, Tax Exempt Bonds Office of Outreach, Planning and Review at (202) 283-2999 (not a toll-free number).

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